

April 27, 2020

Transmittal No. 2020 – 94
(Public)

2020-21 TLC Budget

To: Robin Pilkey, Chair

This communication is to inform you of a recent decision made by the TLC Board at its meeting of April 27, 2020 with respect to the report entitled **2020-21 TLC Budget**, attached herein.

The TLC Board decided that:

That the 2020-21 TLC Budget be approved and forwarded to TDSB for final approval.

On behalf of the Board of Directors of the Toronto Lands Corporation, the **2020-21 TLC Budget** is being forwarded to the TDSB Board for final approval, (attached as Appendix A to the report), in accordance with section 4.1(c) of the Shareholder's Direction as Further Amended and Restated on November 28, 2018.

Sincerely,



Brenda Patterson
Chair, TLC

cc. D. Sage, Executive Officer, TLC
cc. J. Malloy, Director of Education, TDSB
cc. C. Jackson, Associate Director, Business Operations and Service Excellence, TDSB
cc. C. Snider, Executive Officer, Finance, TDSB

**TORONTO LANDS CORPORATION
2020-21 TLC Budget**

To: Chair and Members of the Toronto Lands Corporation

Date: 27 April 2020

Recommendation:

That the 2020-21 TLC Budget be approved and forwarded to TDSB for final approval.

Rationale

TLC began operations in 2008 as TDSB's independent real estate agency having exclusive carriage of 97 non-operational school board properties consisting primarily of closed school vacant sites. At the direction of TDSB, TLC disposed of sites or leased those sites that TDSB deemed to be core holdings. TLC's mandate at the time was to achieve maximum revenue from leased facilities and the sale of TDSB designated sites. As such, TLC's operational viability was based on a self-sustaining model and returning net proceeds back to TDSB operations. Under this former financial structure, all TLC operating expenditures were charged against non-instructional leased properties revenue including costs relating to the sale of lands such as professional fees, legal fee and other sales cost. These related property sale costs were not accrued nor netted against disposition proceeds. In addition, each year TLC would allocate \$1M from lease revenues to be invested into capital repairs and building maintenance for those non-operational properties considered to be core holdings by TDSB. The allocation of \$1 M of TLC revenues for capital repairs and maintenance has been relied upon by TDSB as non-instructional school facilities that are active for student use/programming are not eligible for government funding. Since inception, TLC has effectively carried out its mandate and annually has contributed net proceeds back to TDSB's operations.

Following the independent review of Price Waterhouse Coopers commissioned by TDSB, in 2018 TLC's mandate was significantly expanded and operations restructured to become TDSB's exclusive real-estate, land use planning and related professional services agency. This expanded mandate created TLC to be one of the largest public asset managers encompassing approximately 600 properties including more than 5,000 acres of school board land holdings in one of the most active development centres in the country. By implementing this new mandate, TLC became a new TDSB real estate agency with a corporate structure that continues to evolve as crossover operations are streamlined, duplication eliminated and roles and responsibilities clearly articulated.

Context

2020-2021 Budget Preparation:

The development of TLC's 2020-2021 budget is representative of TDSB's broaden mandate and no longer reflective of TLC's former operations or outcomes. TLC has moved from a model of revenue maximization applied to a limited portfolio of closed school facilities to now strategically managing all real estate and City land use planning matters from a value added perspective. This represents a significant change in philosophy with emphasis on providing

opportunity and benefit by leveraging public assets in support of student achievement and balanced community benefit.

Accordingly, TLC has prepared a new budget presentation, aligned to its expanded mandate. The 2020-21 TLC budget preparation, attached as Appendix A, was guided by the following:

- The primary TLC revenue sources are derived from the leasing of space within TDSB operating and non-operating facilities. Within operating schools specifically, space is leased to tenants following TDSB's designation of available space and policy compliance to access space. TDSB community access policy prescribes that leases in operating schools are revenue neutral allowing only the average annual cost of operating space per square foot to be recovered. Whereas deemed surplus space in non-operating facilities is driven by related market rates and negotiated terms and conditions. It is only non-operating leased space that provides the greatest opportunity for net revenue generation.
- Total 2020-21 budget allocation will not exceed the 2019-2020 TDSB approved budget for TLC. It is important to note, in June 2019, the TLC Board approved a 2019-20 operating budget for TLC which was routed to TDSB Board for approval at its June meeting however was deferred to fall 2019. In fall 2019, TDSB and TLC met to review updated information with respect to specific line items in the operating budget that materially impacted TLC operations. This resulted in an amended operating budget which was approved by the TDSB Board at its October 29, 2019 meeting. Attached as *Appendix B* is the TDSB approved budget revisions.
- TLC's approved management salary line represents TLC staffing complement that aligns with operational responsibilities with all positions filled.
- The \$1M "Deferred Capital Improvements" remains as a reduction in leasing revenues as a funding source for capital projects relating to non-instructional properties being retained as core holdings. The \$1M budget line has remained constant since 2009. A TLC/TDSB analysis of this budget line will be completed this year;
- Expenditures relating to Pool Agreements and Exclusive Use have been made equal to the revenue being generated as these agreements and the historical costing models that revenues are predicated on are currently under review with TDSB and the City.

Management Notes to the Budget are presented in Appendix C.

Appendices:

Appendix A: TLC 2020-21 Budget

Appendix B: 2019-20 TDSB Approved Budget Revisions for TLC

Appendix C: Management Notes to the 2020-21 TLC Budget

Routing:

TLC Board: April 27, 2020

From

Daryl Sage, Executive Officer, Toronto Lands Corporation, at dsage.tlc@tdsb.on.ca or at 416-393-0575.

Appendix A – TLC 2020-21 Budget

Notes No.		2019-20 TDSB Approved Budget		2020-21 Budget	
	Non-Operating School Facilities	Revenue	Expenditure	Revenues	Expenditures
1	Lease Revenue and Recoveries	6,136,000	\$ 2,600,000	\$ 5,536,000	\$ 2,600,000
2	Other Revenue - Land Use Planning/705 Progress	3,175,000		\$ 150,000	
3	TDSB Program and Administration	53,000		\$ 53,000	
	Deferred Capital Improvement Revenue	-1,000,000		-\$ 1,000,000	
	Provision for Rental Arrears		\$ 5,000		\$ 5,000
	Total Net Real Estate Revenue/Expense - Non-Operating Sites	8,364,000	\$ 2,605,000	\$ 4,739,000	\$ 2,605,000
	Operating School Facilities				
4	City of Toronto Childcare Umbrella Lease Agreements	\$ 4,500,000	\$ 9,200,000	\$ 4,500,000	\$ 9,200,000
5	City of Toronto Pools Agreements	\$ 5,629,413	\$ 5,629,413	\$ 5,629,413	\$ 5,629,413
6	City of Toronto Stage 1 Revenues	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
7	City of Toronto Exclusive Use Agreements	\$ 970,632	\$ 970,632	\$ 970,632	\$ 970,632
8	Development (CSPD) and LINC Lease Administration	\$ 240,482	\$ 240,482	\$ 240,482	\$ 240,482
9	Air Conditioning Surcharge	\$ 28,100	\$ 28,100	\$ 28,100	\$ 28,100
10	Child Care and Other Agreements	\$ 3,105,592	\$ 3,105,592	\$ 3,105,592	\$ 3,105,592
11	Temporary Property Interests with Third Parties	\$ -	\$ -	\$ 250,000	\$ -
	Total Real Estate Revenue/Expense-Operating Sites	\$ 15,574,218	\$ 20,274,218	\$ 15,824,218	\$ 20,274,218
	Total Non-Operating and Operating	\$ 23,938,218	\$ 22,879,218	\$ 20,563,218	\$ 22,879,218
	TDSB Chargeback of Administrative Expenses				
	Facility Services		\$ 136,840		\$ 140,000
	Business Services		\$ 100,000		\$ 100,000
	Administrative Support Allocation		\$ 60,000		\$ 60,000
	Total TDSB Chargeback		\$ 296,840		\$ 300,000
	TLC Administrative Expenses				
	Board Remuneration		\$ 70,000		\$ 70,000
	Management Salaries		\$ 2,958,763		\$ 2,958,763
	Professional Development		\$ 3,500		\$ 3,500
	Supply and Services		\$ 51,000		\$ 51,000
	Rental expenses: TLC office		\$ 101,500		\$ 118,621
	Legal Fees		\$ 800,000		\$ 800,000
	Fees and Contractual Services		\$ 850,000		\$ 1,335,000
	Fees & Services on Redevelopment Projects (Combined with In 43)		\$ 270,000		
	Fees & Services on Land Use Planning (Combined with In 43)		\$ 215,000		
	Casual Help		\$ 7,000		\$ 10,000
	Furniture and Equipment		\$ 10,500		\$ 5,000
	Other expenditures		\$ 36,500		\$ 5,000
	Total TLC Administration Expenses		\$ 5,373,763		\$ 5,356,884
	Total TLC 2020-2021 Operations	\$ 23,938,218	\$ 28,549,821	\$ 20,563,218	\$ 28,536,102
	Property Sales	\$ 80,190,500		\$ 27,000,000	

Appendix B: 2019-20 TDSB Approved Budget Revisions for TLC

Operating Budget	Approved 2017-18 Budget	2019-2020 TLC Approved Budget	2019-20 TDSB Approved Budget Revisions
Lease Revenue and Recoveries	\$ 6,678,000	\$ 6,136,000	\$ 9,136,000
Other Revenue	\$ 125,000	\$ 175,000	\$ 175,000
Sub-total	\$ 6,803,000	\$ 6,311,000	\$ 9,311,000
TDSB Program and Administration	\$ 53,000	\$ 53,000	\$ 53,000
Deferred Capital Improvement Revenue	-\$ 1,000,000	-\$ 1,000,000	-\$ 1,000,000
Total Revenue	\$ 5,856,000	\$ 5,364,000	\$ 8,364,000
Caretaking	\$ 850,000	\$ 670,000	\$ 850,000
Maintenance	\$ 602,000	\$ 577,000	\$ 500,000
Utilities	\$ 982,000	\$ 707,000	\$ 850,000
Overhead Costs for C/T, Mtn & Util	\$ 324,000	\$ 335,000	\$ 400,000
Total Operations Expense	\$ 2,758,000	\$ 2,289,000	\$ 2,600,000
Provision for rental arrears	\$ 5,000	\$ 5,000	\$ 5,000
Total Property Management Expenditures	\$ 2,763,000	\$ 2,294,000	\$ 2,605,000
Facility Services	\$ 131,000	\$ 136,800	\$ 136,840
Business Services	\$ 102,000	\$ -	\$ 100,000
Administrative Support Allocation	\$ 60,000	\$ 60,000	\$ 60,000
Total TDSB Realty Staff and Services	\$ 293,000	\$ 196,800	\$ 296,840
Total Expenditures	\$ 3,056,000	\$ 2,490,800	\$ 2,901,840
Net Realty Lease Operations Profit / (Loss)	\$ 2,800,000	\$ 2,873,200	\$ 5,462,160
Board Remuneration	\$ 70,000	\$ 70,000	\$ 70,000
Management Salary	\$ 940,000	\$ 3,132,000	\$ 2,958,763
Professional Development	\$ 6,000	\$ 40,500	\$ 3,500
Supply and Services	\$ 48,000	\$ 51,000	\$ 51,000
Rental expenses: 60 St. Clair E.	\$ 62,000	\$ 101,500	\$ 101,500
Legal Fees	\$ 420,000	\$ 975,000	\$ 800,000
Fees and Contractual Services	\$ 417,000	\$ 1,000,000	\$ 850,000
Multi-Year Projects*	\$ 215,000	\$ 215,000	\$ 270,000
Fees and Services on Land Use Planning		\$ 270,000	\$ 215,000
Casual Help	\$ -	\$ 7,000	\$ 7,000
Furniture and Equipment	\$ 5,000	\$ 10,500	\$ 10,500
Other expen. (incl. professional memberships/association fees, meeting expenses, postage & courier)	\$ 5,000	\$ 36,500	\$ 36,500
Total TLC Administration Expenses	\$ 2,188,000	\$ 5,909,000	\$ 5,373,763
TLC Capital Planning Capacity Program			
Community Hubs Grant	\$ -	\$ -	
Community Hubs Expenses	\$ -	\$ -	
Total Community Hubs Program	\$ -	\$ -	
TLC Net Contribution Before TDSB Salary Adjustment			\$ 88,397
TDSB Transfer into TLC Salaries			\$ 1,170,737
Net Contribution			\$ 1,259,134
Property Sales	\$ 106,000,000	\$ 51,100,000	\$ 80,190,500
	\$ 106,612,000	\$ 48,064,200	

Appendix C: Management Notes to the 2020-21 TLC Budget

Note 1: Lease Revenues and Recoveries

Non-instruction facilities and sites in TLC's inventory deemed as core holding by TDSB. These properties are not used in whole or in part by TDSB for student programming. Identified properties remain in TLC's inventory until such time that TDSB requires the property returned for use or directs the property to be sold. As an interim measure, TLC seeks and secures tenants in attempt to maximize revenue for return to TDSB operations.

Lease revenue projections for 2020-21 are lower due to the sale of Greenwood PS in 2019-20, a site that was generating \$600k in rent.

Note 2: Other Revenue – Land Use Planning/705 Progress

The City of Toronto and TDSB co-own 705 Progress Ave (property and structures on the site). The joint acquisition was intended for a future construction of a new school and community park. This site is managed through a facility landlord jointly directed and co-funded by each owner.

In 2019-20, TLC budgeted \$3,000,000 in revenue derived from Land Use Planning minutes of settlement. The revenue variance shown from fiscal 2019-20 to fiscal 2020-21 is a result of no anticipated revenues from land use settlements. The revenues are received at the time of building permit so will therefore be realized in later years

Note 3: TDSB Program and Administration

TDSB rents space through TLC in properties within TLC's inventory. This space is required by TDSB for specific type of isolated student programming whereby only a classroom or limited space is required. TDSB may also lease space back for administrative use. Dependent upon TDSB needs within a facility, the entire facility maybe removed from TLC's non-instructional inventory and returned under TDSB's administration.

Note 4: City of Toronto Childcare Umbrella Lease Agreements

The City of Toronto and the TDSB have entered into an umbrella agreement whereby the City provide subsidy for three types of non-profit day care offerings

- Exclusive use of space is school space that provides uninterrupted use by the day care Mon-Fri 7:00am – 6:00pm. Exclusive use of space represents approximately 600,000 sq.ft. of TDSB facility space. The City pays a \$6.50/sq.ft. for use of this space.
- 12 month shared space is space that is shared by the school and day care. The day care operates before and after school Mon-Fri 7:00AM – to first AM bell time the from dismissal time to 6:00pm. During the summer, the day care has exclusive day time use. The City only pays for summer use. 12 month shared used of space represents approximately 545,000 sq.ft. of TDSB facility space.
- 10 month shared space is space that is shared by the school and day care. The day care operates before and after school Mon-Fri 7:00AM – to first AM bell time the from dismissal time to 6:00pm. There is no summer use. The City does not pay for any

shared use space. The 10 month shared space represents approximately 540,000 sq.ft. of TDSB facility space.

The City's pays a subsidy to TDSB for the use of space at a rate of \$6.50/sq.ft. producing revenue of approximately \$4.6M. Using the cost recovery model, TDSB's average cost of operating for 2020-2021 is \$13.32/sq.ft. Line 6 is reflective of the revenue collected in the form of a subsidy from the City and the cost to TDSB to operate the space.

Note 5: City of Toronto Pools Agreement

TDSB operates 67 swimming pools within school facilities of which 27 are under lease with the City of Toronto. The lease agreement has been extended until June 2021. The leasing rate for each pool within the lease agreement is based on a TDSB costing model that includes a flat increase of 3% year over year for the last two fiscal years.

Note 6: City of Toronto Stage 1 Revenues

The City accesses a number of TDSB facilities and currently working through a long outstanding agreement. The agreement requires the City to request permits from TDSB for facility usage after 6:00pm. To eliminate the permitting process, the City pays \$1.1M annually for after hour's usage.

Note 7: City of Toronto Exclusive Use Agreements

The City of Toronto relies on school board facilities to run cultural and recreational programs. The agreement for use of space requires the City to pay quarterly, on a square footage basis, the cost of operating rate in effect as of January 1st.

Note 8: Contract Services and Partnership Development (CSPD) and LINC Lease Administration

TDSB operates a number of government offer programs such as language programs for New Canadians. These programs and initiatives are secured by TDSB and require leased space in TDSB facilities to operate.

Note 9: Air Conditioning Surcharge

Each tenant in TDSB schools, mostly childcare operators pay \$300/AC unit/year. The fee is implemented to recover the hydro costs escalation due to AC usage for those tenants that do not pay their own utilities. A new TDSB guideline provides for a waiver of the fee for the first year, when installation is completed after June 1st of that year

Note 10: Other Agreements

This line represents all other lease revenues in operating sites.

Note 11: Temporary Property Interests with Third Party

New budget line added to reflect revenue coming from temporary access or easement agreements on TDSB lands.